The European Commission has approved, under EU State aid rules, a set of revised commitments submitted by Italy, replacing the original commitments on the basis of which the Commission had approved a precautionary recapitalisation of Banca Monte dei Paschi di Siena ('MPS').

In July 2017, the Commission approved Italy's plan to support a precautionary recapitalisation of MPS, on the basis of commitments submitted by Italy. Under these commitments, the bank had to implement specific measures to restore its long-term viability, minimise distortions of competition and ensure an adequate own contribution to cover losses and restructuring costs. These commitments were first amended in September 2019. In addition, Italy had to sell its stake in the bank by a certain deadline.

Some of the original commitments had been timely implemented. In particular, MPS has reduced its bad loans and operating costs, it has improved its risk management policies and it has also respected a range of behavioral constraints. However, in July 2022, Italy asked for more time to fulfil certain other commitments, notably to sell its stake in MPS and for MPS to implement certain
divestments and to continue its restructuring through a further reduction of the staff and of the operational costs relative to the revenues. To minimise possible distortions of competition caused by the extended deadline, Italy proposed a series of additional commitments, such as certain additional disposals and divestments, additional branch closures and the continued obligation to respect certain limitations on the way it conducts business.

The Commission assessed Italy's request under EU State aid rules, in particular the 2013 Banking Communication. The Commission concluded that: (i) the extension of the deadline to complete the restructuring of the bank and to achieve the sale of the stake of the Italian State in the bank is acceptable; and (ii) the set of revised commitments adequately counterbalances the revision of the deadline.

On this basis, the Commission concluded that the aid which Italy granted to MPS in July 2017 remains compatible with EU State aid rules, as the overall balance of the original decision was maintained and has approved the revised commitments.

**Background**

MPS is Italy's fifth largest bank in terms of total assets, with a market share at national level of 6.4%. At the end of 2021, it had a total balance sheet of about €138 billion, 21,244 employees and 1,368 branches in Italy. The bank is mainly active in the retail and small and medium-sized enterprises segments, but it is also present in the wealth management and insurance businesses.

In July 2017, the Commission approved restructuring aid by Italy in favour of MPS in the amount of €5.4 billion, in the form of a precautionary recapitalisation, on the basis of an effective restructuring plan which aimed at restoring the bank's long-term viability, whilst limiting competition distortions. In order to approve the capital injection by the Italian State, among others, MPS's shareholders and junior creditors contributed €4.3 billion to limit the use of taxpayer money, as required by EU State aid rules. Also,
the Italian State committed to dispose of its participation in the bank by a certain date. In December 2019, the Commission approved certain amendments to the original 2017 commitments submitted by Italy.

EU rules, in particular the Bank Recovery and Resolution Directive, make it possible for a State to provide capital support to a solvent bank without triggering resolution, provided that certain criteria are met. In this context, State aid can only be granted to cater for the possible capital needs of a bank that would materialise if economic conditions were to worsen (so-called "precautionary recapitalisation"). The State support also has to be temporary.

Since a precautionary recapitalisation involves the use of taxpayer money, EU State aid rules require that public funds can only be injected in a bank that is profitable in the long-term. This requires the bank to undergo in-depth restructuring with the purpose of ensuring its viability in the long term. At the same time, the bank must make efforts to mitigate competition distortions and bear part of its losses and restructuring costs itself (so-called “burden-sharing”) to minimise the amount of taxpayer money.

For More Information

More information will be made available under the case number SA.103450 in the State Aid Register on the Commission's competition website once any confidentiality issues have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly e-News.

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IP/22/4822

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